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DEPT FOR EAP/K, EAP/PD, INR/EAP/K AND INR/IL/P
TREASURY FOR OASIA/WINGLE
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STATE PASS USDA ELECTRONICALLY FOR FAS/ITP
STATE PASS DOL/ILAB SUDHA HALEY
STATE PASS USTR FOR IVES/WEISEL

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SUBJECT: PRESS BULLETIN - February 3, 2009

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Top Headlines

Chosun Ilbo

No Strike Occurred in January for First Time in 13 Years, Thanks to
"Compromise" between Labor and Management
amid Economic Downturn

JoongAng Ilbo

Private Education Market Shifting with ROKG Putting More Emphasis on
English Education and College Scholastic Ability Test (CSAT); Demand
Going Up for Private English Institutions and Premium-level
Institutions that Prepare Students for CSAT

Dong-a Ilbo

ROKG Measures to Overcome Economic Crisis Fail
to Live up to Public Expectations

Hankook Ilbo, Segye Ilbo, Seoul Shinmun, All TVs
Exports Fall Record 32.8 Percent in January

Hankyoreh Shinmun

Korea University Resists Disclosing Its Admission Standards, with
Suspensions Mounting that It Might Have Committed Irregularities in
Selecting Students for 2009 Academic Year

Domestic Developments

- [1](#)1. A group of anti-North Korea activists in the ROK said yesterday
that they will send anti-Pyongyang propaganda leaflets and North
Korean banknotes to the communist state around North Korean leader
Kim Jong-il's birthday on Feb. 16. The Unification Ministry,
however, warned that it might conduct an investigation into the
plan, especially how the activists got hold of North Korean
currency, because it is illegal to bring in North Korean currency
without the permission of the Ministry. (All)

International News

1. A spokesman for North Korea's General Chief of Staff, in a Feb. 2 interview with the North's state-run Korean Central News Agency, argued: "The only way to denuclearize the Korean Peninsula is for all the parties with nuclear weapons to start reducing their nuclear arsenals simultaneously," a remark seen as intended to clarify North Korea's position that the U.S. and North Korea should be at the center of nuclear disarmament talks. (JoongAng, Dong-a, Hankyoreh, Hankook, Segye, Seoul, All TVs)

Media Analysis

North Korea

Most of the ROK media gave play to a report quoting a spokesman for North Korea's General Chief of Staff as asserting during a Feb. 2 interview with the North's state-run Korean Central News Agency: "The only way to denuclearize the Korean Peninsula is for all the parties with nuclear weapons to start reducing their nuclear arsenals simultaneously." Most of the media viewed this as intended to clarify Pyongyang's position that the U.S. and North Korea should be at the center of nuclear disarmament talks.

U.S. Stimulus Package

Most of the ROK media paid keen attention to a "Buy American" provision in the \$819 billion stimulus legislation recently approved by the U.S. House of Representatives, which calls for builders, who have received government aid, to use only U.S.-made steel products. The ROK media also noted the U.S. Senate's push to expand the "Buy American" provision to include other manufactured goods. Conservative Chosun Ilbo editorialized: "History has taught us that economic crises drive countries to cave in to the temptations of protectionism and nationalism, which make it more difficult to overcome difficulties. The Great Depression of the 1930s is a key example. In 1930, the U.S. Senate ratified the Smoot-Hawley Tariff Act, which raised tariffs on imports by an average of 20 percent, in order to protect American businesses and jobs. The result was the opposite. America's major trading partners, including Britain, France, Germany, Italy and Canada, implemented retaliatory tariffs, causing global trade to decline and leading the entire world into economic depression. Countries around the world, especially the U.S., must not repeat mistakes made 80 years ago, when protectionist measures drove the global economy into the path of destruction." A commentary in conservative Dong-a Ilbo argued: "If the U.S. returns to protectionism, it would likely lead the EU and Japan to move in the same direction, triggering a domino phenomenon of protectionism which would be disastrous enough to plunge the current financial crisis into a global depression. Furthermore, the global multilateral trade system represented by the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) might collapse, ... rupturing the link to free trade and investment that has propped up the world economy. This would surely not be beneficial to the world economy as well as the U.S. It is high time for more active U.S. leadership." Moderate Seoul Shinmun commented in an editorial: "The U.S. has cried for free trade and globalization. And it is now building high protectionist barriers for the sole purpose of saving itself from the global financial crisis which originated from it. This is not the right attitude for the world's superpower that holds sway over the global economy. The Obama Administration should resist the temptation of trade protectionism and find a way for the entire world to overcome the crisis together and coexist harmoniously."

Opinions/Editorials

No to U.S Return to Protectionism

(Dong-a Ilbo, February 3, 2009, Page 27)

by Korea University Prof. Park Sung-hoon

Dong-a Ilbo reported that the U.S. House of Representatives passed economic stimulus bills worth 819 billion dollars with a "Buy American" clause added in the appendix which calls for use of only U.S.-made steel products in building high-speed roads, bridges, schools and hospitals. This move by the U.S. means that a country

which ought not to do so returns to protectionism at the bleakest time and under the bleakest conditions. Such a move is expected to have some negative ramifications.

Is the U.S. aiming to topple a multilateral trade system?

With a global financial crisis looming since last September, many economists and policy-makers sent a strong warning against a return to protectionism. Notwithstanding, regrettably, the world's greatest economic power, the U.S., has embarked on a protectionist drive.

One of main culprits of the Great Depression that plagued the world economy in the 1930s was a 'beg my neighbor' policy; the U.S. sought to expand exports and curtail imports through depreciation and protectionism. The U.S.-triggered economic recession turned into the Great Depression through several channels, even spawning an idea that the Depression engendered the Nazi regime in Germany. Wary of this concern, President Lee Myung-bak emphasized in the Asia-Pacific Economic Cooperation (APEC) summit last year that the U.S. should never go return to policies of protectionism.

Given the U.S. standing and role in the world economy, it is high time that the U.S. take economical and political leadership to overcome a global financial crisis. A stronger protectionist stance by the U.S. would lead the European Union (EU) and Japan to move in the same direction. There is concern that this will spark a domino phenomenon of protectionism. Such a domino effect would be disastrous enough to plunge the current financial crisis into a global depression. This would surely not be beneficial to the world economy as well as the U.S. Thus, more active U.S. leadership is called for.

If U.S. protectionism of the steel industry is condoned, the domino effect would spread out of control to various industrial arenas such as the automobile and information technology (IT) industries. If this happens, the world economy would no longer be able to maintain its sought-after free trade and investment since late 1940s when the General Agreement on Tariffs and Trade (GATT) governing tariffs and trade took effect, but instead witness a far-reaching spread of protectionism. This means that the multilateral trade system represented by the GATT and the World Trade Organization (WTO) may collapse. The Doha Development Agenda (DDA) agreement, which has barely survived over recent years, would lose its ground, rupturing the link to free trade and investment that has propped up the world economy.

Seoul should prepare a lawsuit through cooperation with WTO members.

Luckily, since other nations do not think favorably about the U.S.'s "Buy American" clause, it is somewhat doubtful if the policy may be put into action. Particularly, the European Confederation of Iron and Steel Industries has stepped forward to demand that the European Commission should file a lawsuit with the WTO against the U.S. policy. Major trading countries, such as Canada and Japan, also issued statements warning of the U.S.'s abrupt trade protectionism.

The ROKG should respond to the U.S. move thoroughly by forging close cooperation with major WTO members, such as the EU, Canada, and Japan. If necessary, we should also leave open the possibility of bringing this case to the WTO and make full preparations, including data accumulation.

The World Must Not Repeat Protectionist Mistakes
(Chosun Ilbo, February 3, 2009, Page 31)

The U.S. House of Representatives has recently approved economic stimulus bills worth US\$819 billion with a "Buy American" provision added in the appendix, saying that builders who have received government aid must use only U.S.-made steel products. Democrats who led the move said it was wrong for foreign businesses to receive public funding from American taxpayers.

The European Union and Canada reacted against the decision, saying it is a protectionist measure that goes against World Trade Organization regulations. But the U.S. Senate is pursuing an

expansion of the "Buy American" provision to include other manufactured goods. The principles of free trade are being given lower priority, as U.S. politicians face mounting pressure to protect American industries, businesses and jobs.

At the G20 summit in Washington D.C. last November, the leaders of member countries adopted a joint declaration vowing not to create protectionist trade measures over the next 12 months. Leaders who attended the recent World Economic Forum in Davos, Switzerland agreed that protectionist policies could ruin everyone.

But contrary to such declarations and promises, each country is racing to devise measures to protect its own citizens and businesses. Russia, India, Vietnam, the Ukraine and other countries have raised tariffs on major imports, while Indonesia, Brazil, Argentina and other countries have raised non-tariff barriers, including a new system of authorizing imports. The U.S. government has stepped up to aid Detroit's Big Three automakers, while Europeans countries are coming up with financial support measures for their automobile and aircraft industries.

History has taught us that economic crises drive countries to cave in to the temptations of protectionism and nationalism, which make it more difficult to overcome difficulties. The Great Depression of the 1930s is a key example. In 1930, the U.S. Senate ratified the Smoot-Hawley Tariff Act, which raised tariffs on imports by an average of 20 percent. The measure was designed to protect American businesses and jobs.

The result was the opposite. America's major trading partners, including Britain, France, Germany, Italy and Canada, implemented retaliatory tariffs, causing global trade to decline and leading the entire world into economic depression. Global trade, which amounted to \$4.9 billion in January of 1930, shrank to \$2.1 billion two years later. The U.S. unemployment rate surged from 9 percent in 1930 to 16 percent in 1931 and 25 percent in 1932. Countries around the world, especially the United States, must not repeat mistakes made 80 years ago, when protectionist measures drove the global economy into the path of destruction.

* This is a translation provided by the newspaper, and it is identical to the Korean version.

Obama Administration's Protectionist Barriers
Are Unsettling
(Seoul Shinmun, February 3, 2009, Page 31)

Amid the global economic downturn, trade protectionism is getting severe. As (many countries) are taking a string of protectionist measures, such as the erection of tariff barriers or the strengthening of anti-dumping investigations, on the ground of protecting their industries, this would likely cause trade frictions and diplomatic conflicts. The nation that sparked this protectionism is none other than the U.S., a nation which has fancied itself an advocate of free trade.

We regard this protectionist move as an irresponsible action which shakes an international economic order to its roots. Furthermore, the U.S. is the epicenter of the global financial crisis. The U.S., which has cried for free trade and globalization, is now building high protectionist barriers for the sole purpose of saving itself from the crisis. This is not the right attitude for the world's superpower that holds sway over the global economy.

On the surface, many nations are advocating free trade and criticizing the U.S., but internally, they are opting for protectionism. If trade protectionism spreads, international trade will decline, which will, in turn, accelerate the global economic downturn. In other words, a hasty choice of trade protectionism will be only a shortcut to co-destruction. We hope that the Obama Administration will resist the temptation of trade protectionism, which could lead the world economy into collapse, and find a way for the entire world to overcome the crisis together and coexist harmoniously.

Stephens

